

“DEMONETIZATION: THE IMPACT ON AGRICULTURAL SECTOR”

KAVYA R

Faculty Member,

Department Of Studies in Commerce,
PG Centre, Kuvempu University, Kadur

Dr SHOBHARANI H

Assistant Professor,

Department Of Studies in Commerce,
PG Centre, Kuvempu University, Kadur

PREETHA BC

II M.Com,

Department Of Studies in Commerce,
PG Centre, Kuvempu University, Kadur

ABSTRACT

Agriculture shapes the foundation of our nation's economy. Very high percentage of farmers depends on liquid cash as it is useful for their day today transactions. Thus because of demonetisation, the cash withdrawal from banks was limited and the farmers were unable to draw huge cash to pay their labours which resulted in postponing their works which further lead to reduction in agricultural production. The Indian government decided to demonetise the two biggest denomination notes which made the farmers struggle a lot whose savings habits as well as payment mode were only on cash. Due to this the farmers at the below poverty level have become jobless for days or months. However, to come across these issues the present study is being carried out to explore the impact of demonetisation on agricultural sector. The data for the present study has been gathered from both primary and secondary sources. The geographical area selected for the present study is limited to shimoga district only by meeting twenty five respondents. Thus the study throws a light on demonetisation and its impact on agricultural sector.

Keywords: Demonetisation, Agricultural sector, Farmers, Bank, Credits

INTRODUCTION

Agriculture contributes much to the economic development of the country as majority of the population depends on agriculture, have struggled a lot at the time of demonetisation whose savings habits as well as payment mode were only on cash. Most of the farmers depend on agricultural credit, but because of demonetization the cash withdrawal from banks was limited and the farmers were unable to draw huge cash to pay their labours which resulted in postponing their work and less agricultural production.

Reports of stress in agriculture have begun because of demonetisation which is impacted through the input output channels as well as price and output feedback effects. Sales transport, marketing and distribution of ready produce to wholesale centres or mandis is dominantly cash dependent. Disruptions, breaks in the supply chain feedback to farmers as sales fall, increased wastage of perishables, lower revenues that show up as trade dues instead of cash in hand and when credited into bank account with limited access affect the sector. Even though demonetisation has eradicated black money to some extent, it has affected the agricultural sector in a very bad manner. However, the government should take some precautionary measures to makeover the drawbacks faced by the farmers.

LITERATURE REVIEW

- Dr V G Sumathi, T Savitha conducted a study on “Impact of demonetization in agricultural sector”. In this study they concluded that the farmers have come across various hurdles at the time of demonetization because the savings habits and payments mode were only on cash which gave a negative impact on the production activities.
- Mr Vijayabaskar in his study “Formalising, finance, in formalising labour: Demonetization and the informal economy”, observed the pathway through which demonetization impacts the informal economy. This issue points to the paradox of justifying demonetization in terms of formalising financial markets even it has in formalised labour markets.
- Dr Samar Vir Singh Rathore in his study “Demonetization: Impression on Indian agriculture”, observed that demonetization undoubtedly bring about worry in India. With the implementation of demonetization concept, it lead to a liquidity cash crunch, which lead to a negative impact on rabi crop immediately and long term effect on cottage industry, agricultural industry like dairy, textile. State government and regional rural banks have to come forward to bring back our biggest sector from the state of desolation.
- CMA Jai Bansal (2017) in his study “ Impact of demonetization in Indian economy”, observed that, after demonetization only agricultural sector shows some positive improvement whereas manufacturing and service sector both were crashed down and these will affect the whole Indian market in 2017 also.

OBJECTIVES

1. To study the challenges faced by farmers due to demonetization.
2. To analyse the perception of farmers towards demonetization

3. To study the effect of demonetization on transportation, marketing and distribution of agricultural products.

METHODOLOGY

This study is based on both primary and secondary data. The geographical area selected for the study is limited to shimoga district only. The primary data was collected through questionnaire by meeting twenty five respondents. The secondary data sources comprises of newspapers, magazines, company reports and internet sources.

RESULTS AND DISCUSSIONS

Table 1: Government's move towards demonetization

Particulars	No of respondents	Percentage %
Tackle black money	07	28
Build economy	06	24
Equality	05	20
Eliminate fake currency	07	28
Total	25	100

(Source: field survey)

From the above table it is clear that 28% of the respondents believe that the government's move towards demonetisation will tackle black money, 24% respondents believe that demonetisation will build the economy, 20% respondents believe that it creates equality, and 28% of the respondents believe that it eliminates fake currency.

Table 2: Problems faced at the time of harvesting

Particulars	No of respondents	Percentage %
Purchase fertilizers	08	32
Purchase seeds	05	20
Labour problem	07	28
Transportation	05	20
Total	25	100

(Source: field survey)

The above table shows that 24% of the respondents faced problem in purchase of fertilizers and transportation, 20% of the respondents faced problem in purchase of seeds, 32% of the respondents faced labour problem, this is because their savings habits as well as the payment mode were only on cash. The farmers used to handle liquid cash as it is essential for their day today transactions.

Table 3: Problem faced by daily wage labours at the time of demonetization

Particulars	No of respondents	Percentage %
Jobless	06	24
Payment through scraped notes	08	32
Advance payment of salary on contract basis	05	20
Credits to bank accounts	06	24
Total	25	100

(Source: field survey)

The above table shows the problem faced by the daily wage labours at the time of demonetisation. 24% of the respondents said that because of demonetisation daily wage labours become jobless, 32% of respondents said that payment made to the daily wage labours was through scraped notes, 20% respondents said that the payments for the daily wage labours was done in advance through contract basis which provokes them to work for low wages, 24% of the respondents say that the payment for the daily wage labours will be done by crediting wage amount to their accounts which will be a risk factor for the labours to go for banks to get cash for their day today survival.

Table 4: Production outcome at the time of demonetisation

Particulars	No of respondents	Percentage %
High	00	00
Medium	10	40
Low	15	60
Total	25	100

(Source: field survey)

From the above table it is evident that 60% of the respondents said that the production outcome at the time of demonetisation is low compared to other period and 40% of the respondents said medium. And none of the respondents said high. This is because the demonetisation was implemented at the time of

harvesting period which gave a high hit for the farmers to purchase fertilizers, seeds, labour etc which has become a strong cause for less production.

Table 5: Progress in the field of agricultural sector in future

Particulars	No of respondents	Percentage
Agree	14	56
Strongly agree	09	36
Disagree	02	08
Strongly disagree	00	00
Total	25	100

(Source: field survey)

From the above table it is clear that 56% of the respondents agree that demonetisation may bring some progress in future in the agricultural sector, 36% of the respondents strongly agree and only 8% of the respondents disagree and none of the respondents strongly disagree with the above mentioned statement. Thus it can be concluded that even though demonetisation has given negative impact on the agricultural sector at the current situation, it may bring some progress in the field of agriculture in various forms in future.

FINDINGS

- It was found that majority of the respondents i.e., 46% are with an income level of below 20,000
- Majority of the respondents i.e., 28% believed that governments move towards demonetization is to tackle black money and eliminate fake currency.
- Majority of the respondent's i.e., 64% said that the demonetization was implemented at wrong time as it was a harvest period which gave a high hit for the farmers.
- Majority of the respondents' i.e., 32% have come across problem like purchasing fertilizers at the time of demonetization and 28% faced labour problem.
- 60% respondents said that production outcome was low at the time of demonetization.
- Most of the daily wages labours faced problem like advance payment of salary on contract basis which provoked them to work at less salary.
- Majority of the respondents i.e. 92% said that demonetization is healthy for economic growth.

SUGGESTION

- Government should educate the farmers at the rural areas regarding banking transactions.
- Before implementing the concept of demonetization, government could have been prepared with bulk cash for currency exchange.

- Limit for the exchange of currency notes could have been extended to agricultural sector so that production would have been increased.
- To make over all the issues faced by farmers, government should give good rate for agricultural products in market.
- Government should concentrate towards the happenings and issues before taking further steps for the welfare of society.

CONCLUSION

Demonetisation as a clearout exercise may create good things in the economy whose main intension is to eradicate black money, tackle fake currency, create equality, and build economy etc. At the same time demonetisation has shown its negative impact on agricultural sectors because majority of the farmers go with liquid cash for their agricultural activities like purchase of fertilizers, pesticides, sowing seeds, labour for cultivation, transportation etc, and the daily wage labours have come across lots of issues at the time of demonetisation whose payment was done through scraped notes, credit to bank accounts, and also in advance through contract basis which provoked them to work for less wages. By this the daily wage labours became jobless. However Demonetisation process is like two faces of a coin, one side it will benefit the nation and on the other side it is going to create some temporary and long term problems for various sectors. Thus it can be concluded that demonetisation has affected each and every Indian in one or the other way but it has highly hit to the agricultural sector. Thus the government should take some precautionary measures to give a helping hand for the farmers who are treated as the backbone of our nation.

REFERENCE

- Dr. V G Sumathi, T Savitha, "Impact of Demonetization in Agricultural Sector". *Journals of IOSR of humanities and social science [IORS-JHSS]* e-ISSN: 2279-0837, P-ISSN-2279-0845.
- Mr Vijayabaskar, "Formalising finance, in Formalising Labour: Demonetization and the Informal Economy". *Journals of the Hindu Centre for politics and public policy*. 2016.
- C M A Jai Bansal (2017), "Impact of Demonetization in Indian Economy". *Journals of International Journal of Science Technology and Management* vol no.6, issues no.01, January 2017
- Dr Samar Vir Singh Rathore, "Demonetization: Impression on India Agriculture". *Journal of applied research* 2017:3(2)
- Ambalika Sinha and Divya Rai, "Aftermath of Demonetization on Rural Population". *Journal of Research in Economics And Social Science [IJRESS]* vol no.6, issues 11, November-2016, ISSN (0):2249-7382.